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Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

SAL-01 SS-14 STR-08 OMB-01 CEA-02 L-03 H-02 PA-03

PRS-01 USIA-12 CIAE-00 COME-00 FRB-02 INR-09 NSAE-00

TRSE-00 XMB-07 OPIC-12 LAB-06 SIL-01 RSR-01 /155 W
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R 141902 Z MAR 73
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9680
INFO AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY ROME

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03045

C O R R E C T E D C O P Y - SUBJECT LINE

E. O. 11652: GDS
TAGS: EIND, ESTC, TECH, UK, EEC, GW, FR, IT

SUBJECT: BOEING- EUROPEAN COLLABORATION ON 7 X7 PROJECT

BEGIN SUMMARY: UKG HAS UNDER CONSIDERATION BOEING PROPOSAL THAT WOULD HAVE ROLLS ROYCE AND US ENGINE MANUFACTURER COMPETE IN SUPPLYING ENGINES FOR 7 X7 AIR-CRAFT. NEW ROLLS ENGINE PROJECT WOULD PROBABLY INVOLVE FORM OF TECHNICAL PARTNERSHIP WITH A US ENGINE FIRM. IN VIEW US DISAPPROVAL OF GE- SNECMA DEAL, BRITISH ASK WHETHER USG WOULD FAVOR TECHNICAL EXCHANGE BETWEEN ROLLS AND US COMPANY. END SUMMARY.
1. WE HAVE LEARNED THROUGH UKG OFFICIALS THAT BOEING REPS RECENTLY MADE PRESENTATION TO DEPARTMENT TRADE AND INDUSTRY ON BRITISH COLLABORATION WITH BOEING ON DEVELOP-MENT AND PRODUCTION NEW 7 X7 FAMILY OF AIRCRAFT. WE ARE NOT FAMILIAR WITH DETAILS OF COOPERATIVE PROPOSAL PUT FORWARD BY BOEING BUT CENTRAL FEATURE OF IT WAS IDEA THAT AIRCRAFT WOULD BE PRODUCED WITH OPTION AVAILABLE
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TO BUYERS OF CHOOSING BETWEEN COMPETING US AND BRITISH ENGINES. THIS ARRANGEMENT WOULD GIVE BUYERS OPPORTUNITY TO BARGAIN WITH ENGINE COMPANIES FOR BEST DEAL AND AT SAME TIME GIVE EUROPEAN AERO- ENGINE FIRM AN IMPORTANT PIECE OF THE ACTION IN MAJOR NEW AEROSPACE PROJECT.

2. ACCORDING TO JAMES HAMILTON, DEPUTY SECRETARY FOR AEROSPACE INDUSTRY, DTI, UKG IS INTERESTED IN BOEING PROPOSITION. HAMILTON STATES, HOWEVER, THAT IF ROLLS ROYCE WERE TO UNDERTAKE MAJOR NEW AERO ENGINE PROJECT FOR 7 X7 IT WOULD PROBABLY INVOLVE SOME FORM OF TECHNICAL PARTNERSHIP WITH US ENGINE MANUFACTURER. OF CRITICAL CONCERN, THEREFORE, TO UKG IN EVALUATING BOEING PROPOSAL IS USG ATTITUDE TOWARD ADVANCED TECHNOLOGY COOPERATIVE ARRANGEMENT BETWEEN A US FIRM AND ROLLS ROYCE. UNCER- TAINTY ON US POLICY IN THIS AREA OBVIOUSLY DERIVES FROM DISAPPROVAL IN 1972 OF SIMILAR DEAL INVOLVING GE- SNECMA TECHNICAL EXCHANGE. HAMILTON SUGGESTED THAT IF UK HAD SOME ASSURANCE THAT USG NOT OPPOSED TO TECHNICAL EXCHANGE BETWEEN US ENGINE MANUFACTURER AND ROLLS ROYCE, UKG WOULD STAFF- OUT BOEING PROPOSAL FOR SERIOUS CONSIDERA- TION.

3. HAMILTON SAID BOEING REPS WERE TOLD THAT COOPERATIVE EFFORT BETWEEN US AND UK ALONG LINES OF LOCKHEED/ ROLLS ROYCE " TRISTAR" ARRANGEMENT POLITICALLY WOULD BE EX- TREMELY DIFFICULT FOR UK IN TERMS OF ITS RELATIONS WITH OTHER MEMBERS OF EEC. IF OTHER MEMBERS PARTICIPATED IN PROJECT, THIS POLITICAL PROBLEM WOULD BE EASED. DTI REPORTEDLY HINTED THAT COOPERATIVE ARRANGEMENT BETWEEN BOEING AND UK, GERMANY AND ITALY WOULD BE ACCEPTABLE FROM POLITICAL STANDPOINT. ACCORDING TO HAMILTON, BOEING TOOK POINT FOR CONSIDERATION, NOTED DIFFICULTIES IN WORKING WITH NUMBER OF PARTNERS ON A PROJECT, AND INDICATED THAT IF SUCH AN ARRANGEMENT WERE STRUCK, BOEING
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INFO AMEMBASSY BONN
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WOULD PROBABLY INSIST THAT IT DEAL WITH EUROPEAN PART-
NERS THROUGH A SINGLE ORGANIZATION.

4. COMMENT: EMBASSY WAS NOT INFORMED OF BOEING VISIT
NOR WERE WE CONTACTED BY REPS WHILE THEY WERE IN UK.
WE ASSUME, HOWEVER, THAT WASHINGTON AGENCIES HAVE BEEN
OR WILL BE DEBRIEFED BY BOEING TEAM WHICH, WE ASSUME,
VISITED EUROPEAN CAPITALS OTHER THAN LONDON. ALTHOUGH
OBVIOUSLY WE DO NOT HAVE AS MUCH INFORMATION AS ONE
MIGHT LIKE ON BOEING' S DISCUSSIONS, ON BASIS OF WHAT
WE HAVE, WE BELIEVE BOEING PROPOSAL (AS DESCRIBED BY
HAMILTON) IS ONE WHICH SHOULD BE ENCOURAGED AND WE
WOULD HOPE FACTORS THAT LED TO DISAPPROVAL GE- SNECMA
DEAL ON TEN TON ENGINE LAST YEAR WOULD NOT APPLY IN
CONSIDERING ROLLS ROYCE COOPERATIVE ARRANGEMENT WITH US
ENGINE MANUFACTURER ON LARGER ENGINE FOR 7 X7 PROJECT.
IN OUR VIEW, COOPERATIVE EFFORTS ON AD HOC BASIS BETWEEN
US AND EUROPEAN AEROSPACE COMPANIES IS BEST WAY TO
DISARM EEC POLITICAL/ ECONOMIC DRIVE TO " INTEGRATE"
EUROPEAN AEROSPACE INDUSTRY.

5. ACTION REQUESTED: WOULD APPRECIATE ADVICE ON WHAT
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WE MIGHT TELL UKG REGARDING PROSPECT FOR USG APPROVAL
OF ADVANCED TECHNOLOGY COOPERATIVE ARRANGEMENT BETWEEN
ROLLS ROYCE AND US AERO ENGINE COMPANY.

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*** Current Handling Restrictions *** n/a
*** Current Classification *** CONFIDENTIAL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: worrelsw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LONDON03045
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: RR
Errors: n/a
Film Number: n/a
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730328/aaaahtci.tel
Line Count: 171
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: worrelsw
Review Comment: n/a
Review Content Flags:
Review Date: 24 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24-Jul-2001 by izenbei0>; APPROVED <23-Aug-2001 by worrelsw>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 971202
Subject: LINE
TAGS: EIND, ESTC, TECH, FR, GM, UK, US, n/a
To: BONN
EUR
PARIS
ROME
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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